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September 7, 2001

VIA HAND DELIVERY

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: *Joint Petition of Crockett Telephone Company, Inc., Peoples' Telephone Company, West Tennessee Telephone Company, Inc., and the Consumer Advocate Division of the Office of the Attorney General for the Approval and Implementation of Earnings Review Settlement.*
Docket No. 99-00995

Dear Mr. Waddell:

As directed by the Order of the Pre-Hearing Officer dated August 24, 2001 and addressing the two issues contained therein, enclosed please find the original and thirteen (13) copies of the Direct Testimony of Dwight S. Work for filing on behalf of the TEC Companies in the above-referenced docket. I have also enclosed an additional copy of the Direct Testimony, which I would appreciate your stamping "filed," and returning to me by way of our courier.

Should you have any questions with respect to this matter, please do not hesitate to contact me.

Best regards.

Very truly yours,



R. Dale Grimes

RDG/gci

Enclosures

cc: James P. Lamoureux, Esq. (via Federal Express, w/ enclosure)
Timothy C. Phillips, Esq. (via hand delivery, w/ enclosure)
J. Richard Collier, Esq. (via hand delivery, w/ enclosure)
T.G. Pappas, Esq.
Mr. Gregory Eubanks
Mr. Thomas W. Ott
Mr. Dwight S. Work

**CROCKETT TELEPHONE COMPANY
PEOPLES TELEPHONE COMPANY
WEST TENNESSEE TELEPHONE COMPANY
DOCKET NO. 99-00995
PREPARED DIRECT TESTIMONY OF
DWIGHT S. WORK**

1 **Q. Will you please state your name and business address?**

2 A. My name is Dwight S. Work. I am Director of Utility Consulting Services for Work &
3 Greer, P.C., a certified public accounting firm located at 206 Capitol Boulevard, Nashville,
4 Tennessee 37219.

5 **Q. Will you briefly summarize your educational background and experience with the**
6 **utility industry?**

7 A. I received a Bachelor of Science Degree and a Master of Arts Degree with a major in
8 mathematics from Austin Peay State University. I am a Certified Public Accountant
9 licensed to practice in the State of Tennessee.

10 From September 1974 through June 1976, I was a financial analyst with the Tennessee
11 Public Service Commission (now the Tennessee Regulatory Authority). From July 1976
12 through June 1980, I was Assistant Director of the Accounting Division for the Tennessee
13 Public Service Commission. Subsequent to June 1980, I have provided consulting
14 services to our firm's utility clients on a variety of issues.

15 **Q. What type of utility clients does your firm have?**

16 A. Our clients are investor-owned utilities, municipal systems, utility districts, and authorities.
17 We provide services to electric distribution systems, natural gas distribution systems,
18 local exchange carriers, water distribution systems, and wastewater systems.

19 **Q. Are you a member of any professional or trade associations?**

20 A. I am a member of the American Institute of Certified Public Accountants and the
21 Tennessee Society of Certified Public Accountants. I am an active member of the

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1 Alabama Gas Association, the American Public Gas Association, the American Water
2 Works Association, the Kentucky Gas Association, the Southeastern Gas Association,
3 the Southern Gas Association, the Tennessee Association of Utility Districts, the
4 Tennessee Gas Association, the Tennessee Municipal Electric Association, and the
5 Tennessee Telecommunications Association. I have presented seminars to management
6 groups on utility topics for the American Public Gas Association, the Kentucky Gas
7 Association, the Tennessee Association of Utility Districts, the Tennessee Gas
8 Association, and client utilities.

9 **Q. Have you previously filed testimony before this authority or similar commissions?**

10 A. Yes, I have. I have filed testimony before the Kentucky Public Service Commission, the
11 Illinois Commerce Commission, the Indiana Utility Regulatory Commission, the
12 Tennessee Regulatory Authority, and the Virginia State Corporation Commission. I have
13 also testified in the Chancery Court of Davidson County, Tennessee and the Chancery
14 Court of Dickson County, Tennessee on utility issues. I have presented testimony in over
15 forty cases before commissions and courts involving utility issues.

16 **Q. What is the purpose of your testimony in this proceeding?**

17 A. I will present testimony related to the two issues identified by the Pre-Hearing Officer in
18 the order dated August 24, 2001. The two issues identified are:

- 19 1. Whether the amount of overearnings identified in the Settlement Agreement for the
20 TEC Companies for the years 1999-2001 is correct; and, if so,
21 2. How and to what extent the rate design described in the Settlement Agreement
22 should be amended to adjust for the overearnings identified therein.

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1 **Q. How do you interpret the first issue?**

2 A. I believe the Pre-Hearing Officer is asking how the forecast compares to actual results. In
3 other words, has history proved the forecast to be reasonable. It is commonly agreed that
4 opinions as to forecasted amounts included in the forecasted balance sheets or income
5 statements of a company are not represented as being "correct." The opinion given is
6 that the forecasted amounts fairly present the future results and are reasonable when
7 taken as a whole and considering past performances.

8 **Q. The forecast for the years 1999 through 2001 is included as Exhibit B to the Joint**
9 **Petition. How was the forecast derived?**

10 A. The forecast is the result of discussions between and among the parties involved which
11 lead to agreement as to the assumptions to be used in the agreed forecast. We believe
12 that using those assumptions resulted in a reasonable estimate of anticipated rate base
13 and operating results for the forecast period.

14 **Q. Have you compared the actual results to the forecasted results for each company?**

15 A. I made the comparison for the thirty-month period ended June 30, 2001, which provides
16 the most recent actual results available. The forecast estimated that the three companies
17 would over-earn by approximately \$4,926,306 for this period. Applying the same theory
18 and assumptions, I found that the companies actually over-earned by \$4,621,284. In
19 other words, the amount of the companies' over-earnings was \$305,022 less than
20 forecasted. My calculations are shown in Exhibit DSW-1. As for the last six months of
21 2001, I believe it is reasonable to rely on the forecast since it has been shown that the
22 actual over-earnings for the first thirty months of the period are less than the estimated
23 over-earnings.

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1 **Q. What does this mean?**

2 A. It means that the original forecast of over-earnings is 6.60 percent greater than the actual
3 over-earnings. This is not unusual. There are usually differences between forecasted and
4 actual results, because events and circumstances frequently do not occur as expected,
5 and those differences may be material.

6 **Q. What amendments do the Companies propose to the rate design described in the**
7 **Settlement Agreement?**

8 A. The Companies propose that the rate design described in the Settlement Agreement be
9 instituted as soon as possible after the date of a written order from this Authority and
10 extended for a twenty-four month period. I recommend that the depreciation adjustment
11 set out in the agreement for the year 1999 be divided equally and carried over and added
12 to the adjustments originally proposed for the years 2000 and 2001. The amended
13 adjustments for the year 2000 will then be made during the first twelve months
14 commencing sixty days after the order is entered. The amended adjustments for the year
15 2001 will be made during the twelve months commencing at the end of the first twelve-
16 month period.

17 The second revenue adjustment proposed for 1999 related to dialing parity. Dialing parity
18 was implemented on September 22, 1999. The impact of dialing parity subsequent to
19 September 22, 1999 is already being realized. Thus, consideration of rate design issues
20 regarding dialing parity for all three years in this docket is not necessary, because the
21 impact of dialing parity has occurred and is occurring.

22 The proposed revenue adjustments are shown in Exhibit DSW-2.

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DWIGHT S. WORK**

1 **Q. Does this conclude your testimony?**

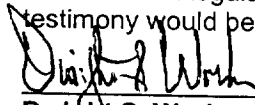
2 A. Yes, it does.

STATE OF TENNESSEE

COUNTY OF DAVIDSON

BEFORE ME, the undersigned Notary Public, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Dwight S. Work, who, being by me first duly sworn deposed that:

He is appearing as a witness on behalf of Crockett Telephone Company, Peoples Telephone Company and West Tennessee Telephone Company in docket No. 99-00995 before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would be as set forth in the foregoing five pages.



Dwight S. Work

Sworn to and subscribed before me
this the 6th day of September, 2001.

My Commission expires: October 25, 2003



Notary Public

Tennessee Operating Companies
Comparison of Actual Results to Forecasted Results
Over (Under) Earnings

Line No.	(1) Description		(2) 12 ME 12/31/99	(3) 12 ME 12/31/00	(4) 6 ME 6/30/01	(5) Total
1	Crockett Telephone Company	A/ \$	147,459	\$ 24,499	\$ (50,968)	\$ 120,990
2	Peoples Telephone Company	B/	(839,790)	133,924	(249,528)	(955,394)
3	West Tennessee Telephone Company	C/	96,012	429,754	3,616	529,382
4	Total	D/ \$	<u>(596,319)</u>	<u>\$ 588,177</u>	<u>\$ (296,880)</u>	<u>\$ (305,022)</u>

A/ Exhibit DSW-1, Schedule 2, line 9, corresponding column.

B/ Exhibit DSW-1, Schedule 3, line 9, corresponding column.

C/ Exhibit DSW-1, Schedule 4, line 9, corresponding column.

D/ Sum of line 1 through line 3.

Crockett Telephone Company
Comparison of Actual Results to Forecasted Results
Over (Under) Earnings

Line No.	(1) Description	(2) 12 ME 12/31/99	(3) 12 ME 12/31/00	(4) 6 ME 6/30/01	(5) Total
1	Adjusted rate base	\$ 2,462,153 F/	\$ 2,675,004 H/	\$ 3,022,602 J/	
2	Allowed rate of return	8.11% A/	8.11% A/	4.06% K/	
3	Allowed net operating income	B/ 199,681	216,943	122,567	
4	Adjusted net operating income	1,068,533 G/	986,656 I/	474,194 L/	
5	Net operating income surplus (deficit)	C/ 868,852	769,713	351,627	
6	Retention factor	A/ 0.6083	0.6083	0.6083	
7	Actual revenue surplus (deficit)	D/ 1,428,328	1,265,351	578,049	
8	Revenue surplus (deficit) computed by CA	1,280,869 A/	1,240,852 A/	629,018 K/	
9	Over (under) CA estimate of over (under) earnings	E/ \$ 147,459	\$ 24,499	\$ (50,968)	\$ 120,990 M/

A/ Workpapers of Consumer Advocate.

B/ Line 1 times line 2.

C/ Line 4 minus line 3.

D/ Line 5 divided by line 6.

E/ Line 7 minus line 8.

F/ Exhibit DSW-1, Schedule 5, Page 1 of 4, column 5, line 12.

G/ Exhibit DSW-1, Schedule 5, Page 1 of 4, column 5, line 11.

H/ Exhibit DSW-1, Schedule 5, Page 3 of 4, column 5, line 12.

I/ Exhibit DSW-1, Schedule 5, Page 3 of 4, column 5, line 11.

J/ Exhibit DSW-1, Schedule 6, Page 1 of 2, column 5, line 12.

K/ Workpapers of Consumer Advocate divided by 2.

L/ Exhibit DSW-1, Schedule 6, Page 1 of 2, column 5, line 11.

M/ Sum of column 2 through column 4.

Peoples Telephone Company
Comparison of Actual Results to Forecasted Results
Over (Under) Earnings

Line No.	(1) Description	(2) 12 ME 12/31/99	(3) 12 ME 12/31/00	(4) 6 ME 6/30/01	(5) Total
1	Adjusted rate base	\$ 5,708,883 F/	\$ 7,384,242 H/	\$ 8,709,904 J/	
2	Allowed rate of return	10.40% A/	10.40% A/	5.20% K/	
3	Allowed net operating income	B/ 593,724	767,961	452,915	
4	Adjusted net operating income	566,570 G/	719,395 I/	280,220 L/	
5	Net operating income surplus (deficit)	C/ (27,154)	(48,566)	(172,695)	
6	Retention factor	A/ 0.6068	0.6068	0.6068	
7	Actual revenue surplus (deficit)	D/ (44,750)	(80,037)	(284,600)	
8	Revenue surplus (deficit) computed by CA	795,040 A/	(213,961) A/	(35,072) K/	
9	Over (under) CA estimate of over (under) earnings	E/ \$ (839,790)	\$ 133,924	\$ (249,528)	\$ (955,394) M/

- A/ Workpapers of Consumer Advocate.
B/ Line 1 times line 2.
C/ Line 4 minus line 3.
D/ Line 5 divided by line 6.
E/ Line 7 minus line 8.
F/ Exhibit DSW-1, Schedule 7, Page 1 of 4, column 5, line 12.
G/ Exhibit DSW-1, Schedule 7, Page 1 of 4, column 5, line 11.
H/ Exhibit DSW-1, Schedule 7, Page 3 of 4, column 5, line 12.
I/ Exhibit DSW-1, Schedule 7, Page 3 of 4, column 5, line 11.
J/ Exhibit DSW-1, Schedule 8, Page 1 of 2, column 5, line 12.
K/ Workpapers of Consumer Advocate divided by 2.
L/ Exhibit DSW-1, Schedule 8, Page 1 of 2, column 5, line 11.
M/ Sum of column 2 through column 4.

West Tennessee Telephone Company
Comparison of Actual Results to Forecasted Results
Over (Under) Earnings

Line No.	(1) Description	(2) 12 ME 12/31/99	(3) 12 ME 12/31/00	(4) 6 ME 6/30/01	(5) Total
1	Adjusted rate base	\$ 4,904,286 F/	\$ 5,136,643 H/	\$ 5,701,036 J/	
2	Allowed rate of return	10.26% A/	10.26% A/	5.13% K/	
3	Allowed net operating income	B/ 503,180	527,020	292,463	
4	Adjusted net operating income	1,032,368 G/	954,202 I/	403,770 L/	
5	Net operating income surplus (deficit)	C/ 529,189	427,183	111,306	
6	Retention factor	A/ 0.6070	0.6070	0.6070	
7	Actual revenue surplus (deficit)	D/ 871,810	703,761	183,371	
8	Revenue surplus (deficit) computed by CA	775,798 A/	274,007 A/	179,755 K/	
9	Over (under) CA estimate of over (under) earnings	E/ \$ 96,012	\$ 429,754	\$ 3,616	\$ 529,382 M/

A/ Workpapers of Consumer Advocate.

B/ Line 1 times line 2.

C/ Line 4 minus line 3.

D/ Line 5 divided by line 6.

E/ Line 7 minus line 8.

F/ Exhibit DSW-1, Schedule 9, Page 1 of 4, column 5, line 12.

G/ Exhibit DSW-1, Schedule 9, Page 1 of 4, column 5, line 11.

H/ Exhibit DSW-1, Schedule 9, Page 3 of 4, column 5, line 12.

I/ Exhibit DSW-1, Schedule 9, Page 3 of 4, column 5, line 11.

J/ Exhibit DSW-1, Schedule 10, Page 1 of 2, column 5, line 12.

K/ Workpapers of Consumer Advocate divided by 2.

L/ Exhibit DSW-1, Schedule 10, Page 1 of 2, column 5, line 11.

M/ Sum of column 2 through column 4.

Crockett Telephone Company
Analysis of Projection
Year Ended December 31,

Line No.	(1) Description	(2)		(3)		(4) 1999		(5)		(6) TEC Adjusted Greater Than	
		CA	E/	TEC Actual	F/	Adjustments	AR/	TEC Adjusted	AS/	CA	AS/
1	Revenues	\$ 3,397,316		\$ 2,617,270	F/	\$ 1,233,942 AE/		\$ 3,851,212		\$ 453,896	
2	Expenses	1,896,422		2,221,401	I/	(92,464) AG/		2,128,937		232,515	
3	State income tax (SIT)	84,889		27,429	G/	79,584 AH/		107,013		22,124	
4	Federal income tax (FIT)	465,475		104,033	I/	436,388 I/		540,421		74,946	
5	Total expense	A/ 2,446,786		2,352,863		423,508		2,776,371		329,585	
6	Net operating income (NOI)	B/ 950,530		264,407		810,434		1,074,841		124,311	
7	Interest on customer deposits	(562)		(551)	H/	-		(551)		11	
8	Inside wiring (NOI)	(9,671)		(11,770)	J/	-		(11,770)		(2,099)	
9	Interest synchronization	-		-		(4,019) AM/		(4,019)		(4,019)	
10	Interstate B&C net income	1,492		10,031	Q/	-		10,031		8,539	
11	Adjusted NOI	C/ \$ 941,789		\$ 262,117		\$ 806,415		\$ 1,068,533		\$ 126,744	
12	Rate base	\$ 2,187,201		\$ 2,462,153	Y/	-		\$ 2,462,153		\$ 274,952	
13	Rate of return	D/ 43.06%		10.65%				43.40%			

A/ Sum of line 2 through line 4.
B/ Line 1 minus line 5.
C/ Sum of line 6 through line 10.
D/ Line 11 divided by line 12.
E/ Workpapers of Consumer Advocate.
F/ Financial Statements together with Independent Auditor's Reports.
G/ Financial Statements together with Independent Auditor's Reports and audit workpapers.
H/ \$14,138 I/ times 6 percent times 65 percent.
I/ From column 3, line Y9.
J/ Description Amount
J1/ ISW revenue \$ 31,387 K/
J2/ ISW expense 50,650 I/
J3/ State taxable income (19,263) L/
J4/ SIT (1,156) M/
J5/ Federal taxable income (18,107) N/
J6/ FIT (6,338) O/
J7/ NOI \$ (11,770) P/
K/ Audit workpapers.
L/ Line J1 minus line J2.
M/ Line J3 times 6 percent.
N/ Line J3 minus line J4.
O/ Line J5 times 35 percent.
P/ Line J5 minus line J6.

Q/	Description	Allocation		Interstate
		Combined K/	Factor R/	
Q1/	Interstate B&C revenue	\$ 55,650		K/
Q2/	Customer service expense	532,268	10.1004%	53,761 S/
Q3/	Executive and planning	69,350	4.2624%	2,956 I/
Q4/	Account and finance expense	358,985	4.2762%	15,351 I/
Q5/	State taxable income			(16,418) T/
Q6/	SIT			(985) U/
Q7/	Federal taxable income			(15,433) V/
Q8/	FIT			(5,402) W/
Q9/	NOI			\$ (10,031) X/
R/	Provided by company.			
S/	Column 2 times column 3.			
T/	Line Q1 minus sum of line Q2 through line Q4.			
U/	Line Q5 times 6 percent.			
V/	Line Q5 minus line Q6.			
W/	Line Q7 times 35 percent.			
X/	Line Q7 minus line Q8.			
Y/	Description	12/31/98	12/31/99	Average AD/
Y1/	Plant in service	\$ 7,906,146 G/	\$ 7,997,070 G/	\$ 7,951,608

Crockett Telephone Company

Analysis of Projection

Year Ended December 31,

	(1)	(2)	(3)	(4)	(5)	(6)
Y2/	Plant under construction	316,383	1,026,140	671,262		
Y3/	Materials and supplies	37,498	34,925	36,212		
Y4/	Working capital	113,268 Z/	135,923 Z/	124,595		
Y5/	Total additions	8,373,295 AA/	9,194,058 AA/	8,783,676		
Deductions:						
Y6/	Accumulated depreciation	5,993,331 G/	6,356,170 G/	6,174,751		
Y7/	Accumulated deferred income taxes	52,798	85,149	68,974		
Y8/	Unamortized investment credit	78,022	49,302	63,662		
Y9/	Customer deposits	13,500	14,775	14,138		
Y10/	Total deductions	6,137,651 AB/	6,505,396 AB/	6,321,524		
Y11/	Rate base	\$ 2,235,644 AC/	\$ 2,688,662 AC/	\$ 2,462,153		
Z/	Operating expenses less depreciation and taxes divided by 12.					
AA/	Sum of line Y1 through line Y4.					
AB/	Sum of line Y6 through line Y9.					
AC/	Line Y5 minus line Y10.					
AD/	Average of column 2 and column 3.					

	Description	Amount
AE1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February	\$ 8,950 K/
AE2/	Increase revenue for accrual of over-earnings for current case	1,224,992
AE3/	Total adjustments	\$ 1,233,942 AF/
AF/	Sum of line AE1 through line AE2.	
AG/	Description	Amount
AG1/	Total expenses disallowed by Consumer Advocate	\$ 92,464 E/
AH/	Description	Amount
AH1/	Revenue adjustments	1,233,942 AE/
AH2/	Expense adjustments	(92,464) AG/
AH3/	State taxable income	1,326,406 AI/
AH4/	SIT	79,584 AJ/
AH5/	Federal taxable income	1,246,822 AK/
AH6/	FIT	\$ 436,388 AL/
AI/	Line AH1 minus line AH2.	
AJ/	Line AH3 times 6 percent.	
AK/	Line AH3 minus line AH4.	
AL/	Line AH5 times 35 percent.	
AM/	Description	Amount
AM1/	Rate base	\$ 2,462,153 Y/
AM2/	Weighted debt cost	0.0394 E/
AM3/	Regulatory interest expense	97,009 AN/
AM4/	Book interest expense	108,491 K/
AM5/	Reduction in interest expense	11,482 AO/
AM6/	Increase in FIT	4,019 AP/
AM7/	Decrease in NOI	\$ 4,019 AQ/
AN/	Line AM1 times line AM2.	
AO/	Line AM4 minus line AM3.	
AP/	Line AM5 times 35 percent.	
AQ/	From line AM6.	
AR/	Column 3 plus column 4.	
AS/	Column 5 minus column 2.	

Crockett Telephone Company

Analysis of Projection

Year Ended December 31,

Line No.	Description	(1)		(2)		(3)		(4)		(5)		(6)	
								2000					
		CA	E/	TEC Actual	F/	Adjustments	BM/	TEC Adjusted	AR/	TEC Adjusted	AR/	Greater Than CA	AS/
1	Revenues	\$ 3,469,194		\$ 2,670,415		\$ 1,252,369		\$ 3,922,784		\$ 453,590			
2	Expenses	1,923,486		2,451,211	↓	(95,321)	BO/	2,355,890		432,404			
3	State income tax (SIT)	86,275		16,119	G/	80,861	BP/	96,980		10,705			
4	Federal income tax (FIT)	473,072		55,693	↓	443,390	↓	499,083		26,011			
5	Total expense	A/ 2,482,833		2,523,023		428,930		2,951,953		469,120			
6	Net operating income (NOI)	B/ 986,361		147,392		823,439		970,831		(15,530)			
7	Interest on customer deposits	(600)		(625)	AT/	-		(625)		(25)			
8	Inside wiring (NOI)	(10,413)		(6,623)	AV/	-		(6,623)		3,790			
9	Interest synchronization	-		-		5,717	BU/	5,717		5,717			
10	Interstate B&C net income	1,561		17,356	BB/	-		17,356		15,795			
11	Adjusted NOI	C/ \$ 976,909		\$ 157,500		\$ 829,156		\$ 986,656		\$ 9,747			
12	Rate base	\$ 2,739,205		\$ 2,675,004	BH/	\$ -		\$ 2,675,004		\$ (64,201)			
13	Rate of return	D/ 35.66%		5.89%				36.88%					

AT/ \$16,038 AU/ times 6 percent times 65 percent.

AU/ From column 3, line BH9.

AV/	Description	Amount	
AV1/	ISW revenue	\$ 32,337	K/
AV2/	ISW expense	43,176	↓
AV3/	State taxable income	(10,839)	AW/
AV4/	SIT	(650)	AX/
AV5/	Federal taxable income	(10,189)	AY/
AV6/	FIT	(3,566)	AZ/
AV7/	NOI	\$ (6,623)	BA/
AW/	Line AV1 minus line AV2.		
AX/	Line AV3 times 6 percent.		
AY/	Line AV3 minus line AV4.		
AZ/	Line AV5 times 35 percent.		
BA/	Line AV5 minus line AV6.		

BB/	Description	(1)		(2)		(3)		(4)		(5)		(6)	
		Combined	K/	Factor	R/	Interstate		Average	AD/				
BB1/	Interstate B&C revenue	\$				\$ 53,554	K/						
BB2/	Customer service expense	651,814		10.1004%		65,836	S/						
BB3/	Executive and planning	81,856		4.2624%		3,489	↓						
BB4/	Account and finance expense	295,483		4.2762%		12,635	↓						
BB5/	State taxable income					(28,406)	BC/						
BB6/	SIT					(1,704)	BD/						
BB7/	Federal taxable income					(26,702)	BE/						
BB8/	FIT					(9,346)	BF/						
BB9/	NOI					\$ (17,356)	BG/						
BC/	Line BB1 minus sum of line BB2 through line BB4.												
BD/	Line BB5 times 6 percent.												
BE/	Line BB5 minus line BB6.												
BF/	Line BB7 times 35 percent.												
BG/	Line BB7 minus line BB8.												
BH/	Description	12/31/99	BI/	12/31/00		Average	AD/						
Additions:													
BH1/	Plant in service	\$ 7,997,070		\$ 9,039,958	G/	\$ 8,518,514							
BH2/	Plant under construction	1,026,140		357,148	↓	691,644							
BH3/	Materials and supplies	34,925		28,092	↓	31,509							
BH4/	Working capital	135,923		161,235	Z/	148,579							
BH5/	Total additions	9,194,058		9,586,433	BJ/	9,390,245							
Deductions:													
BH6/	Accumulated depreciation	6,356,170		6,699,725	G/	6,527,948							
BH7/	Accumulated deferred income taxes	85,149		166,447	↓	125,798							
BH8/	Unamortized investment credit	49,302		41,615	↓	45,459							
BH9/	Customer deposits	14,775		17,300	↓	16,038							
BH10/	Total deductions	6,505,396		6,925,087	BK/	6,715,242							

Crockett Telephone Company
Analysis of Projection
Year Ended December 31,

	(1)	(2)	(3)	(4)	(5)	(6)
BH11/	Rate base	\$ 2,688,662	\$ 2,661,346	BL/	\$ 2,675,004	
BI/	Exhibit DSW-1, Schedule 1, footnote Y, column 2.					
BJ/	Sum of line BH1 through line BH4.					
BK/	Sum of line BH6 through line BH9.					
BL/	Line BH5 minus line BH10.					
	Description					Amount
BM1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February					\$ - K/
BM2/	Increase revenue for accrual of over-earnings for current case					1,252,369 I
BM3/	Total adjustments					\$ 1,252,369 BN/
BN/	Sum of line BM1 through line BM2.					
BO/	Description					Amount
BO1/	Total expenses disallowed by Consumer Advocate					\$ 95,321 E/
BP/	Description					Amount
BP1/	Revenue adjustments	1,252,369	BM/			
BP2/	Expense adjustments	(95,321)	BO/			
BP3/	State taxable income	1,347,690	BQ/			
BP4/	SIT	80,861	BR/			
BP5/	Federal taxable income	1,266,829	BS/			
BP6/	FIT	\$ 443,390	BT/			
BQ/	Line BP1 minus line BP2.					
BR/	Line B3 times 6 percent.					
BS/	Line BP3 minus line BP4.					
BT/	Line BP5 times 35 percent.					
BU/	Description					Amount
BU1/	Rate base	\$ 2,675,004	BH/			
BU2/	Weighted debt cost	0.0394	E/			
BU3/	Regulatory interest expense	105,395	BV/			
BU4/	Book interest expense	89,061	K/			
BU5/	Additional interest expense	16,334	BW/			
BU6/	Decrease in FIT	5,717	BX/			
BU7/	Increase in NOI	\$ 5,717	BY/			
BV/	Line BU1 times line BU2.					
BW/	Line BU4 minus line BU3.					
BX/	Line BU5 times 35 percent.					
BY/	From line BU6.					

Crockett Telephone Company
Analysis of Projection
Six Months Ended June 30,

	(1)	(2)	(3)	(4)	(5)	(6)
				2001		
Line No.	Description	CA Annual E/	TEC Actual F/	Adjustments AD/	TEC Adjusted AR/	TEC Adjusted Greater Than CA AS/
1	Revenues	\$ 3,620,688	\$ 1,334,308	\$ 634,776	\$ 1,969,084	\$ (1,651,604)
2	Expenses	1,997,862	1,308,115	(49,133)	1,258,982	(738,880)
3	State income tax (SIT)	89,606	2,840	41,035	43,875	(45,731)
4	Federal income tax (FIT)	491,339	2,389	225,006	227,395	(263,944)
5	Total expense	A/ 2,578,807	1,313,344	216,908	1,530,252	(1,048,555)
6	Net operating income (NOI)	B/ 1,041,881	20,964	417,868	438,832	(603,049)
7	Interest on customer deposits	(641)	(687)	-	(687)	(46)
8	Inside wiring (NOI)	(11,019)	(4,538)	-	(4,538)	6,481
9	Interest synchronization	-	-	28,425	28,425	28,425
10	Interstate B&C net income	1,632	12,161	-	12,161	10,529
11	Adjusted NOI	C/ \$ 1,031,853	\$ 27,900	\$ 446,294	\$ 474,194	\$ (557,659)
12	Rate base	\$ 3,287,928	\$ 3,022,602	\$ -	\$ 3,022,602	\$ (265,326)
13	Rate of return	D/ 31.38%	0.92%		15.69%	

A/ Sum of line 2 through line 4.
B/ Line 1 minus line 5.
C/ Sum of line 6 through line 10.
D/ Line 11 divided by line 12.
E/ Workpapers of Consumer Advocate.
F/ Client trial balance.
G/ \$17,625 H/ times 6 percent times 65 percent.
H/ From column 3, line W9.
I/ Description Amount
11/ ISW revenue \$ 14,481 F/
12/ ISW expense 21,908 J/
13/ State taxable income (7,427) J/
14/ SIT (446) K/
15/ Federal taxable income (6,981) L/
16/ FIT (2,443) M/
17/ NOI \$ (4,538) N/
J/ Line 11 minus line 12.
K/ Line 13 times 6 percent.
L/ Line 13 minus line 14.
M/ Line 15 times 35 percent.
N/ Line 15 minus line 16.

O/	Description	Combined F/	Allocation Factor P/	Interstate
O1/	Interstate B&C revenue	\$ 23,846	F/	
O2/	Customer service expense	344,507	10.1004%	34,797 Q/
O3/	Executive and planning	44,121	4.2624%	1,881
O4/	Account and finance expense	165,401	4.2762%	7,073
O5/	State taxable income			(19,904) R/
O6/	SIT			(1,194) S/
O7/	Federal taxable income			(18,710) T/
O8/	FIT			(6,548) U/
O9/	NOI			\$ (12,161) V/
P/	Provided by company.			
Q/	Column 2 times column 3.			
R/	Line O1 minus sum of line O2 through line O4.			
S/	Line O5 times 6 percent.			
T/	Line O5 minus line O6.			
U/	Line O7 times 35 percent.			
V/	Line O7 minus line O8.			
W/	Description	12/31/00 X/	6/30/01	Average AC/
Additions:				
W1/	Plant in service	\$ 9,039,958	\$ 9,170,796 F/	\$ 9,105,377
W2/	Plant under construction	357,148	925,196	641,172
W3/	Materials and supplies	28,092	429,360	228,726

Crockett Telephone Company

Analysis of Projection

Six Months Ended June 30,

	(1)	(2)	(3)	(4)	(5)	(6)
W4/ Working capital		161,235	85,813 Y/	123,524		
W5/ Total additions		9,586,433	10,611,165 Z/	10,098,799		
Deductions:						
W6/ Accumulated depreciation		6,699,725	6,906,386 F/	6,803,056		
W7/ Accumulated deferred income taxes		166,447	265,199 I	215,823		
W8/ Unamortized investment credit		41,615	37,772 I	39,694		
W9/ Customer deposits		17,300	17,950 I	17,625		
W10/ Total deductions		6,925,087	7,227,307 AA/	7,076,197		
W11/ Rate base		\$ 2,661,346	\$ 3,383,858 AB/	\$ 3,022,602		

X/ Exhibit DSW-1, Schedule 5, pages 3 and 4 of 4, footnote BH, column 3.

Y/ Operating expenses less depreciation and taxes divided by 12.

Z/ Sum of line W1 through line W4.

AA/ Sum of line W6 through line W9.

AB/ Line W5 minus line W10.

AC/ Average of column 2 and column 3.

	Description	Amount	
AD1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February	\$ -	
AD2/	Increase revenue for accrual of over-earnings for current case	634,776 P/	
AD3/	Total adjustments	\$ 634,776 AE/	
AE/	Sum of line AD1 through line AD2.		
AF/	Description	Amount	
AF1/	Total expenses disallowed by Consumer Advocate.	\$ 49,133 AG/	
AG/	Workpapers of Consumer Advocate divided by 2.		
AH/	Description	Amount	
AH1/	Revenue adjustments	634,776 AD/	
AH2/	Expense adjustments	(49,133) AF/	
AH3/	State taxable income	683,909 AI/	
AH4/	SIT	41,035 AJ/	
AH5/	Federal taxable income	642,874 AK/	
AH6/	FIT	\$ 225,006 AL/	
AI/	Line AH1 minus line AH2.		
AJ/	Line AH3 times 6 percent.		
AK/	Line AH3 minus line AH4.		
AL/	Line AH5 times 35 percent.		
AM/	Description	Amount	
AM1/	Rate base	\$ 3,022,602 W/	
AM2/	Weighted debt cost	0.0394 E/	
AM3/	Regulatory interest expense	119,091 AN/	
AM4/	Book interest expense	37,876 K/	
AM5/	Additional interest expense	81,215 AO/	
AM6/	Decrease in FIT	28,425 AP/	
AM7/	Increase in NOI	\$ 28,425 AQ/	
AN/	Line AM1 times line AM2.		
AO/	Line AM4 minus line AM3.		
AP/	Line AM5 times 35 percent.		
AQ/	From line AM6.		
AR/	Column 3 plus column 4.		
AS/	Column 5 minus column 2.		

Peoples Telephone Company
Analysis of Projection
Year Ended December 31,

	(1)	(2)	(3)	(4)	(5)	(6)
				1999		
Line No.	Description	CA	E/	TEC Actual	Adjustments	TEC Adjusted AR/
1	Revenues	\$ 3,477,944		\$ 2,637,393 F/	\$ 752,257 AE/	\$ 3,389,650
2	Expenses	2,309,961		2,729,222 ↓	(147,438) AG/	2,581,784
3	State income tax (SIT)	60,510		(6,547) G/	53,982 AH/	47,435
4	Federal income tax (FIT)	331,796		(41,614) ↓	296,000 ↓	254,386
5	Total expense	A/ 2,702,267		2,681,061	202,543	2,883,604
6	Net operating income (NOI)	B/ 775,677		(43,668)	549,714	506,046
7	Interest on customer deposits	(708)		(791) H/	-	(791)
8	Inside wiring (NOI)	(6,442)		(6,185) J/	-	(6,185)
9	Interest synchronization	-		-	60,461 AM/	60,461
10	Interstate B&C net income	1,505		7,038 Q/	-	7,038
11	Adjusted NOI	C/ \$ 770,032		\$ (43,605)	\$ 610,175	\$ 566,570
12	Rate base	\$ 5,243,581		\$ 5,708,883 Y/	\$ -	\$ 5,708,883
13	Rate of return	D/ 14.69%		-0.76%		9.92%

A/ Sum of line 2 through line 4.

B/ Line 1 minus line 5.

C/ Sum of line 6 through line 10.

D/ Line 11 divided by line 12.

E/ Workpapers of Consumer Advocate.

F/ Financial Statements together with Independent Auditor's Reports.

G/ Financial Statements together with Independent Auditor's Reports and audit workpapers:

H/ \$20,275 I/ times 6 percent times 65 percent.

I/ From column 3, line Y9.

J/	Description	Amount
J1/	ISW revenue	\$ 22,694 K/
J2/	ISW expense	32,816 ↓
J3/	State taxable income	(10,122) L/
J4/	SIT	(607) M/
J5/	Federal taxable income	(9,515) N/
J6/	FIT	(3,330) O/
J7/	NOI	\$ (6,185) P/

K/ Audit workpapers.

L/ Line J1 minus line J2.

M/ Line J3 times 6 percent.

N/ Line J3 minus line J4.

O/ Line J5 times 35 percent.

P/ Line J5 minus line J6.

Q/	Description	Combined	K/	Allocation Factor	R/	Interstate
Q1/	Interstate B&C revenue	\$				\$ 80,211 K/
Q2/	Customer service expense	622,537		10.7274%		66,782 S/
Q3/	Executive and planning	119,952		4.4076%		5,287 ↓
Q4/	Account and finance expense	433,065		4.5400%		19,661 ↓
Q5/	State taxable income					(11,519) T/
Q6/	SIT					(691) U/
Q7/	Federal taxable income					(10,828) V/
Q8/	FIT					(3,790) W/
Q9/	NOI					\$ (7,038) X/
R/	Provided by company.					
S/	Column 2 times column 3.					
T/	Line Q1 minus sum of line Q2 through line Q4.					
U/	Line Q5 times 6 percent.					
V/	Line Q5 minus line Q6.					
W/	Line Q7 times 35 percent.					
X/	Line Q7 minus line Q8.					
Y/	Description	12/31/98		12/31/99		Average AD/
	Additions:					
Y1/	Plant in service	\$ 7,521,585 G/		\$ 8,341,636 G/		\$ 7,931,611

Peoples Telephone Company
Analysis of Projection
Year Ended December 31,

	(1)	(2)	(3)	(4)	(5)	(6)
Y2/ Plant under construction		1,319,797	2,583,811	1,951,804		
Y3/ Materials and supplies		51,521	73,127	62,324		
Y4/ Working capital		144,514 Z/	168,822 Z/	156,668		
Y5/ Total additions		<u>9,037,417 AA/</u>	<u>11,167,396 AA/</u>	<u>10,102,406</u>		
Deductions:						
Y6/ Accumulated depreciation		3,443,943 G/	3,556,295 G/	3,500,119		
Y7/ Accumulated deferred income taxes		804,282	884,298	844,290		
Y8/ Unamortized investment credit		32,935	24,743	28,839		
Y9/ Customer deposits		19,000	21,550	20,275		
Y10/ Total deductions		<u>4,300,160 AB/</u>	<u>4,486,886 AB/</u>	<u>4,393,523</u>		
Y11/ Rate base		<u>\$ 4,737,257 AC/</u>	<u>\$ 6,680,510 AC/</u>	<u>\$ 5,708,883</u>		
Z/ Operating expenses less depreciation and taxes divided by 12.						
AA/ Sum of line Y1 through line Y4.						
AB/ Sum of line Y6 through line Y9.						
AC/ Line Y5 minus line Y10.						
AD/ Average of column 2 and column 3.						

	Description	Amount	
AE1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February	\$ 32,033	K/
AE2/	Increase revenue for accrual of over-earnings for current case	720,224	
AE3/	Total adjustments	<u>\$ 752,257</u>	AF/
AF/	Sum of line AE1 through line AE2.		
AG/	Description	Amount	
AG1/	Total expenses disallowed by Consumer Advocate.	\$ 147,438	E/
AH/	Description	Amount	
AH1/	Revenue adjustments	\$ 752,257	AE/
AH2/	Expense adjustments	(147,438)	AG/
AH3/	State taxable income	899,695	AI/
AH4/	SIT	53,982	AJ/
AH5/	Federal taxable income	845,713	AK/
AH6/	FIT	<u>\$ 296,000</u>	AL/
AI/	Line AH1 minus line AH2.		
AJ/	Line AH3 times 6 percent.		
AK/	Line AH3 minus line AH4.		
AL/	Line AH5 times 35 percent.		
AM/	Description	Amount	
AM1/	Rate base	\$ 5,708,883	Y/
AM2/	Weighted debt cost	0.0304	E/
AM3/	Regulatory interest expense	173,550	AN/
AM4/	Book interest expense	805	K/
AM5/	Additional interest expense	172,746	AO/
AM6/	Decrease in FIT	60,461	AP/
AM7/	Increase in NOI	<u>\$ 60,461</u>	AQ/
AN/	Line AM1 times line AM2.		
AO/	Line AM4 minus line AM3.		
AP/	Line AM5 times 35 percent.		
AQ/	From line AM6.		
AR/	Column 3 plus column 4.		
AS/	Column 5 minus column 2.		

Peoples Telephone Company
Analysis of Projection
Year Ended December 31,

Line No.	Description	(1)		(2)		(3)		(4)		(5)		(6)	
								2000				TEC Adjusted Greater Than	
		CA	E/	TEC Actual		Adjustments		Adjusted	AR/	CA	AS/		
1	Revenues	\$ 3,576,040		\$ 4,199,159	F/	\$ (129,272)	BM/	\$ 4,069,887		\$ 493,847			
2	Expenses	2,755,159		3,215,165	I	(154,102)	BO/	3,061,063		305,904			
3	State income tax (SIT)	36,866		59,736	G/	1,490	BP/	61,226		24,360			
4	Federal income tax (FIT)	202,146		303,414	I	8,169	I	311,583		109,437			
5	Total expense	A/ 2,994,171		3,578,315		(144,443)		3,433,872		439,701			
6	Net operating income (NOI)	B/ 581,869		620,844		15,171		636,015		54,146			
7	Interest on customer deposits	(776)		(776)	AT/	-		(776)		(0)			
8	Inside wiring (NOI)	(6,771)		(5,475)	AV/	-		(5,475)		1,296			
9	Interest synchronization	-		-		71,430	BU/	71,430		71,430			
10	Interstate B&C net income	1,589		18,201	BB/	-		18,201		16,612			
11	Adjusted NOI	C/ \$ 575,911		\$ 632,793		\$ 86,602		\$ 719,395		\$ 143,484			
12	Rate base	\$ 6,787,809		\$ 7,384,242	BH/	\$ -		\$ 7,384,242		\$ 596,433			
13	Rate of return	D/ 8.48%		8.57%				9.74%					

AT/ \$19,900 AU/ times 6 percent times 65 percent.

AU/ From column 3, line BH9.

AV/	Description	Amount
AV1/	ISW revenue	\$ 23,497 K/
AV2/	ISW expense	32,458 I
AV3/	State taxable income	(8,961) AW/
AV4/	SIT	(538) AX/
AV5/	Federal taxable income	(8,423) AY/
AV6/	FIT	(2,948) AZ/
AV7/	NOI	\$ (5,475) BA/

AW/ Line AV1 minus line AV2.

AX/ Line AV3 times 6 percent.

AY/ Line AV3 minus line AV4.

AZ/ Line AV5 times 35 percent.

BA/ Line AV5 minus line AV6.

BB/	Description	Allocation		Interstate
		Combined K/	Factor R/	
BB1/	Interstate B&C revenue	\$ 744,191	10.7274%	\$ 72,827 K/
BB2/	Customer service expense	142,951	4.4076%	79,832 S/
BB3/	Executive and planning	363,042	4.5400%	6,301 I
BB4/	Account and finance expense			16,482 I
BB5/	State taxable income			(29,788) BC/
BB6/	SIT			(1,787) BD/
BB7/	Federal taxable income			(28,001) BE/
BB8/	FIT			(9,800) BF/
BB9/	NOI			\$ (18,201) BG/

BC/ Line BB1 minus sum of line BB2 through line BB4.

BD/ Line BB5 times 6 percent.

BE/ Line BB5 minus line BB6.

BF/ Line BB7 times 35 percent.

BG/ Line BB7 minus line BB8.

BH/	Description	12/31/99 B/	12/31/00	Average AD/
Additions:				
BH1/	Plant in service	\$ 8,341,636	\$ 10,146,969 G/	\$ 9,244,303
BH2/	Plant under construction	2,583,811	2,791,071 I	2,687,441
BH3/	Materials and supplies	73,127	50,560 I	61,844
BH4/	Working capital	168,822	196,656 Z/	182,739
BH5/	Total additions	11,167,396	13,185,256 BJ/	12,176,326
Deductions:				
BH6/	Accumulated depreciation	3,556,295	4,025,618 G/	3,790,957
BH7/	Accumulated deferred income taxes	884,298	1,036,781 I	960,540
BH8/	Unamortized investment credit	24,743	16,632 I	20,688
BH9/	Customer deposits	21,550	18,250 I	19,900
BH10/	Total deductions	4,486,886	5,097,281 BK/	4,792,084

Peoples Telephone Company
Analysis of Projection
Year Ended December 31,

	(1)	(2)	(3)	(4)	(5)	(6)
BH11/	Rate base	\$ 6,680,510	\$ 8,087,975	BL/ \$ 7,384,242		
BI/	Exhibit DSW-1, Schedule 1, footnote Y, column 2.					
BJ/	Sum of line BH1 through line BH4.					
BK/	Sum of line BH6 through line BH9.					
BL/	Line BH5 minus line BH10.					
	Description					Amount
BM1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February					\$ - K/
BM2/	Increase revenue for accrual of over-earnings for current case					(129,272) L
BM3/	Total adjustments					\$ (129,272) BN/
BN/	Sum of line BM1 through line BM2.					
BO/	Description					Amount
BO1/	Total expenses disallowed by Consumer Advocate.					\$ 154,102 E/
BP/	Description	Amount				
BP1/	Revenue adjustments	(129,272)	BM/			
BP2/	Expense adjustments	(154,102)	BO/			
BP3/	State taxable income	24,830	BQ/			
BP4/	SIT	1,490	BR/			
BP5/	Federal taxable income	23,340	BS/			
BP6/	FIT	\$ 8,169	BT/			
BQ/	Line BP1 minus line BP2.					
BR/	Line BP3 times 6 percent.					
BS/	Line BP3 minus line BP4.					
BT/	Line BP5 times 35 percent.					
BU/	Description	Amount				
BU1/	Rate base	\$ 7,384,242	BH/			
BU2/	Weighted debt cost	0.0304	E/			
BU3/	Regulatory interest expense	224,481	BV/			
BU4/	Book interest expense	20,394	K/			
BU5/	Additional interest expense	204,087	BW/			
BU6/	Decrease in FIT	71,430	BX/			
BU7/	Increase in NOI	\$ 71,430	BY/			
BV/	Line BU1 times line BU2.					
BW/	Line BU4 minus line BU3.					
BX/	Line BU5 times 35 percent.					
BY/	From line BU6.					

Peoples Telephone Company
Analysis of Projection
Six Months Ended June 30,

	(1)	(2)	(3)	(4)	(5)	(6)
				2001		
Line No.	Description	CA Annual E/	TEC Actual	Adjustments	TEC Adjusted AR/	TEC Adjusted Greater Than CA AS/
1	Revenues	\$ 3,779,549	\$ 1,930,094 F/	\$ 7,272 AD/	\$ 1,937,366	\$ (1,842,183)
2	Expenses	2,857,542	1,729,475	(80,534) AF/	1,648,941	(1,208,601)
3	State income tax (SIT)	43,443	13,043	5,268 AH/	18,311	(25,132)
4	Federal income tax (FIT)	238,211	60,749 ↓	28,888 ↓	89,637	(148,574)
5	Total expense	A/ 3,139,196	1,803,267	(46,377)	1,756,890	(1,382,306)
6	Net operating income (NOI)	B/ 640,353	126,827	53,649	180,476	(459,877)
7	Interest on customer deposits	(851)	(644) G/	-	(644)	208
8	Inside wiring (NOI)	(7,037)	(4,419) I/	-	(4,419)	2,618
9	Interest synchronization	-	-	92,824 AM/	92,824	92,824
10	Interstate B&C net income	1,678	11,982 O/	-	11,982	10,304
11	Adjusted NOI	C/ \$ 634,143	\$ 133,747	\$ 146,473	\$ 280,220	\$ (353,923)
12	Rate base	\$ 6,508,535	\$ 8,709,904 W/	\$ -	\$ 8,709,904	\$ 2,201,369
13	Rate of return	D/ 9.74%	1.54%		3.22%	

A/ Sum of line 2 through line 4.
B/ Line 1 minus line 5.
C/ Sum of line 6 through line 10.
D/ Line 11 divided by line 12.
E/ Workpapers of Consumer Advocate.
F/ Client trial balance.
G/ \$16,500 H/ times 6 percent times 65 percent.
H/ From column 3, line W9.
I/ Description Amount
I1/ ISW revenue \$ 10,121 F/
I2/ ISW expense 17,354 ↓
I3/ State taxable income (7,233) J/
I4/ SIT (434) K/
I5/ Federal taxable income (6,799) L/
I6/ FIT (2,380) M/
I7/ NOI \$ (4,419) N/
J/ Line I1 minus line I2.
K/ Line I3 times 6 percent.
L/ Line I3 minus line I4.
M/ Line I5 times 35 percent.
N/ Line I5 minus line I6.

O/	Description	Combined F/	Allocation Factor P/	Interstate
O1/	Interstate B&C revenue	\$ 372,741	10.7274%	\$ 33,492 F/
O2/	Customer service expense	93,644	4.4076%	39,985 Q/
O3/	Executive and planning	198,026	4.5400%	4,127
O4/	Account and finance expense			8,990 ↓
O5/	State taxable income			(19,611) R/
O6/	SIT			(1,177) S/
O7/	Federal taxable income			(18,435) T/
O8/	FIT			(6,452) U/
O9/	NOI			\$ (11,982) V/
P/	Provided by company.			
Q/	Column 2 times column 3.			
R/	Line O1 minus sum of line O2 through line O4.			
S/	Line O5 times 6 percent.			
T/	Line O5 minus line O6.			
U/	Line O7 times 35 percent.			
V/	Line O7 minus line O8.			
W/	Description	12/31/00 X/	6/30/01	Average AC/
W1/	Plant in service	\$ 10,146,969	\$ 10,342,144 F/	\$ 10,244,557
W2/	Plant under construction	2,791,071	3,924,111	3,357,591
W3/	Materials and supplies	50,560	325,324 ↓	187,942

Peoples Telephone Company
Analysis of Projection
Six Months Ended June 30,

	(1)	(2)	(3)	(4)	(5)	(6)
W4/ Working capital		196,656	107,275 Y/	151,966		
W5/ Total additions		13,185,256	14,698,854 Z/	13,942,055		
Deductions:						
W6/ Accumulated depreciation		4,025,618	4,269,968 F/	4,147,793		
W7/ Accumulated deferred income taxes		1,036,781	1,068,341	1,052,561		
W8/ Unamortized investment credit		16,632	13,962	15,297		
W9/ Customer deposits		18,250	14,750	16,500		
W10/ Total deductions		5,097,281	5,367,021 AA/	5,232,151		
W11/ Rate base		\$ 8,087,975	\$ 9,331,833 AB/	\$ 8,709,904		

X/ Exhibit DSW-1, Schedule 7, pages 3 and 4 of 4, footnote BH, column 3.

Y/ Operating expenses less depreciation and taxes divided by 12.

Z/ Sum of line W1 through line W4.

AA/ Sum of line W6 through line W9.

AB/ Line W5 minus line W10.

AC/ Average of column 2 and column 3.

	Description	Amount	
AD1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February	\$ -	
AD2/	Increase revenue for accrual of over-earnings for current case	7,272	P/
AD3/	Total adjustments	7,272	AE/
AE/	Sum of line AD1 through line AD2.		
AF/	Description	Amount	
AF1/	Total expenses disallowed by Consumer Advocate.	\$ 80,534	AG/
AG/	Workpapers of Consumer Advocate divided by 2.		
AH/	Description	Amount	
AH1/	Revenue adjustments	7,272	AD/
AH2/	Expense adjustments	(80,534)	AF/
AH3/	State taxable income	87,806	AI/
AH4/	SIT	5,268	AJ/
AH5/	Federal taxable income	82,538	AK/
AH6/	FIT	\$ 28,888	AL/
AI/	Line AH1 minus line AH2.		
AJ/	Line AH3 times 6 percent.		
AK/	Line AH3 minus line AH4.		
AL/	Line AH5 times 35 percent.		
AM/	Description	Amount	
AM1/	Rate base	\$ 8,709,904	Y/
AM2/	Weighted debt cost	0.0304	E/
AM3/	Regulatory interest expense	264,781	AN/
AM4/	Book interest expense	(430)	K/
AM5/	Additional interest expense	265,211	AO/
AM6/	Decrease in FIT	92,824	AP/
AM7/	Increase in NOI	\$ 92,824	AQ/
AN/	Line AM1 times line AM2.		
AO/	Line AM4 minus line AM3.		
AP/	Line AM5 times 35 percent.		
AQ/	From line AM6.		
AR/	Column 3 plus column 4.		
AS/	Column 5 minus column 2.		

West Tennessee Telephone Company
Analysis of Projection
Year Ended December 31,

		(1)	(2)	(3)	(4)	(5)	(6)	
		1999				TEC		
Line No.	Description	CA	E/	TEC Actual	Adjustments	TEC Adjusted	AR/	TEC Adjusted Greater Than CA AS/
1	Revenues	\$ 3,309,351		\$ 3,185,574 F/	\$ 776,437 AE/	\$ 3,962,011		\$ 652,660
2	Expenses	2,071,876		2,439,311 I	(135,770) AG/	2,303,541		231,665
3	State income tax (SIT)	65,075		57,522 G/	54,732 AH/	112,254		47,179
4	Federal income tax (FIT)	356,828		283,856 I	300,116 I	583,972		227,144
5	Total expense	A/ 2,493,779		2,780,689	219,079	2,999,768		505,989
6	Net operating income (NOI)	B/ 815,572		404,885	557,358	962,243		146,671
7	Interest on customer deposits	(325)		(343) H/	-	(343)		(18)
8	Inside wiring (NOI)	7,782		14,445 J/	-	14,445		6,663
9	Interest synchronization	-		-	51,109 AM/	51,109		51,109
10	Interstate B&C net income	1,352		4,914 Q/	-	4,914		3,562
11	Adjusted NOI	C/ \$ 824,381		\$ 423,901	\$ 608,468	\$ 1,032,368		\$ 207,987
12	Rate base	\$ 5,055,159		\$ 4,904,286 Y/	\$ -	\$ 4,904,286		\$ (150,873)
13	Rate of return	D/ 16.31%		8.64%		21.05%		

- A/ Sum of line 2 through line 4.
B/ Line 1 minus line 5.
C/ Sum of line 6 through line 10.
D/ Line 11 divided by line 12.
E/ Workpapers of Consumer Advocate.
F/ Financial Statements together with Independent Auditor's Reports.
G/ Financial Statements together with Independent Auditor's Reports and audit workpapers.
H/ \$8,800 I/ times 6 percent times 65 percent.
I/ From column 3, line Y9.
J/ Description Amount
J1/ ISW revenue \$ 27,317 K/
J2/ ISW expense 3,676 I
J3/ State taxable income 23,641 L/
J4/ SIT 1,418 M/
J5/ Federal taxable income 22,223 N/
J6/ FIT 7,778 O/
J7/ NOI \$ 14,445 P/
K/ Audit workpapers.
L/ Line J1 minus line J2.
M/ Line J3 times 6 percent.
N/ Line J3 minus line J4.
O/ Line J5 times 35 percent.
P/ Line J5 minus line J6.

		Allocation		Interstate	
Q/	Description	Combined	K/	Factor	R/
Q1/	Interstate B&C revenue	\$		\$ 64,025	K/
Q2/	Customer service expense	631,184		53,761	S/
Q3/	Executive and planning	104,853		2,956	I
Q4/	Account and finance expense	422,277		15,351	I
Q5/	State taxable income			(8,043)	T/
Q6/	SIT			(483)	U/
Q7/	Federal taxable income			(7,561)	V/
Q8/	FIT			(2,646)	W/
Q9/	NOI			\$ (4,914)	X/
R/	Provided by company.				
S/	Column 2 times column 3.				
T/	Line Q1 minus sum of line Q2 through line Q4.				
U/	Line Q5 times 6 percent.				
V/	Line Q5 minus line Q6.				
W/	Line Q7 times 35 percent.				
X/	Line Q7 minus line Q8.				
Y/	Description	12/31/98	12/31/99	Average	AD/
Y1/	Additions:				
	Plant in service	\$ 8,523,214 G/	\$ 8,375,348 G/	\$ 8,449,281	

West Tennessee Telephone Company
Analysis of Projection
Year Ended December 31,

	(1)	(2)	(3)	(4)	(5)	(6)
Y2/	Plant under construction	1,190,362		649,415		919,889
Y3/	Materials and supplies	47,732		42,631		45,182
Y4/	Working capital	136,229	Z/	157,070	Z/	146,650
Y5/	Total additions	9,897,537	AA/	9,224,464	AA/	9,561,001
	Deductions:					
Y6/	Accumulated depreciation	4,263,036	G/	3,431,661	G/	3,847,349
Y7/	Accumulated deferred income taxes	737,653		841,784		789,719
Y8/	Unamortized investment credit	15,351		6,345		10,848
Y9/	Customer deposits	8,900		8,700		8,800
Y10/	Total deductions	5,024,940	AB/	4,288,490	AB/	4,656,715
Y11/	Rate base	\$ 4,872,597	AC/	\$ 4,935,974	AC/	\$ 4,904,286

Z/ Operating expenses less depreciation and taxes divided by 12.

AA/ Sum of line Y1 through line Y4.

AB/ Sum of line Y6 through line Y9.

AC/ Line Y5 minus line Y10.

AD/ Average of column 2 and column 3.

	Description	Amount
AE1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February	\$ 31,511 K/
AE2/	Increase revenue for accrual of over-earnings for current case	744,926
AE3/	Total adjustments	\$ 776,437 AF/
AF/	Sum of line AE1 through line AE2.	
AG/	Description	Amount
AG1/	Total expenses disallowed by Consumer Advocate.	\$ 135,770 E/

	Description	Amount
AH1/	Revenue adjustments	776,437 AE/
AH2/	Expense adjustments	(135,770) AG/
AH3/	State taxable income	912,207 AI/
AH4/	SIT	54,732 AJ/
AH5/	Federal taxable income	857,475 AK/
AH6/	FIT	\$ 300,116 AL/

AI/ Line AH1 minus line AH2.

AJ/ Line AH3 times 6 percent.

AK/ Line AH3 minus line AH4.

AL/ Line AH5 times 35 percent.

	Description	Amount
AM1/	Rate base	\$ 4,904,286 Y/
AM2/	Weighted debt cost	0.0303 E/
AM3/	Regulatory interest expense	148,600 AN/
AM4/	Book interest expense	2,574 K/
AM5/	Additional interest expense	146,026 AO/
AM6/	Decrease in FIT	51,109 AP/
AM7/	Increase in NOI	\$ 51,109 AQ/

AN/ Line AM1 times line AM2.

AO/ Line AM4 minus line AM3.

AP/ Line AM5 times 35 percent.

AQ/ From line AM6.

AR/ Column 3 plus column 4.

AS/ Column 5 minus column 2.

West Tennessee Telephone Company

Analysis of Projection
Year Ended December 31,

Line No.	(1) Description	(2)		(3)		(4) 2000		(5)		(6) TEC Adjusted Greater Than	
		CA	E/	TEC Actual	F/	Adjustments	BM/	Adjusted	AR/	CA	AS/
1	Revenues	\$ 3,399,560		\$ 3,633,244		\$ 363,622		\$ 3,996,866		\$ 597,306	
2	Expenses	2,296,984		2,672,119	I	(141,349)	BO/	2,530,770		233,786	
3	State income tax (SIT)	55,838		64,155	G/	30,298	BP/	94,453		38,615	
4	Federal income tax (FIT)	306,178		325,338	I	166,135	I	491,473		185,295	
5	Total expense	A/ 2,659,000		3,061,612		55,085		3,116,697		457,697	
6	Net operating income (NOI)	B/ 740,560		571,632		308,537		880,169		139,609	
7	Interest on customer deposits	(307)		(306)	AT/	-		(306)		1	
8	Inside wiring (NOI)	7,782		11,411	AV/	-		11,411		3,629	
9	Interest synchronization	-		-		49,838	BU/	49,838		49,838	
10	Interstate B&C net income	1,415		13,090	BB/	-		13,090		11,675	
11	Adjusted NOI	C/ \$ 749,450		\$ 595,827		\$ 358,375		\$ 954,202		\$ 204,752	
12	Rate base	\$ 5,685,135		\$ 5,136,643	BH/	\$ -		\$ 5,136,643		\$ (548,492)	
13	Rate of return	D/ 13.18%		11.60%				18.58%			

AT/ \$7,850 AU/ times 6 percent times 65 percent.

AU/ From column 3, line BH9.

AV/	Description	Amount
AV1/	ISW revenue	\$ 26,915 K/
AV2/	ISW expense	8,239 I
AV3/	State taxable income	18,676 AW/
AV4/	SIT	1,121 AX/
AV5/	Federal taxable income	17,555 AY/
AV6/	FIT	6,144 AZ/
AV7/	NOI	\$ 11,411 BA/
AW/	Line AV1 minus line AV2.	
AX/	Line AV3 times 6 percent.	
AY/	Line AV3 minus line AV4.	
AZ/	Line AV5 times 35 percent.	
BA/	Line AV5 minus line AV6.	

BB/	Description	Allocation		R/	Interstate
		Combined	K/		
BB1/	Interstate B&C revenue	\$ 748,916			\$ 58,084 K/
BB2/	Customer service expense	114,211	8.5175%		63,789 S/
BB3/	Executive and planning	343,849	2.8192%		3,220 I
BB4/	Account and finance expense		3.6353%		12,500 I
BB5/	State taxable income				(21,425) BC/
BB6/	SIT				(1,285) BD/
BB7/	Federal taxable income				(20,139) BE/
BB8/	FIT				(7,049) BF/
BB9/	NOI				\$ (13,090) BG/
BC/	Line BB1 minus sum of line BB2 through line BB4.				
BD/	Line BB5 times 6 percent.				
BE/	Line BB5 minus line BB6.				
BF/	Line BB7 times 35 percent.				
BG/	Line BB7 minus line BB8.				
BH/	Description	12/31/99	BI/	12/31/00	Average AD/
Additions:					
BH1/	Plant in service	\$ 8,375,348		\$ 9,526,413 G/	\$ 8,950,881
BH2/	Plant under construction	649,415		425,060 I	537,238
BH3/	Materials and supplies	42,631		39,630 I	41,131
BH4/	Working capital	157,070		172,214 Z/	164,642
BH5/	Total additions	9,224,464		10,163,317 BJ/	9,693,890
Deductions:					
BH6/	Accumulated depreciation	3,431,661		3,836,616 G/	3,634,139
BH7/	Accumulated deferred income taxes	841,784		978,593 I	910,189
BH8/	Unamortized investment credit	6,345		3,795 I	5,070
BH9/	Customer deposits	8,700		7,000 I	7,850
BH10/	Total deductions	4,288,490		4,826,004 BK/	4,557,247

West Tennessee Telephone Company
Analysis of Projection
Year Ended December 31,

	(1)	(2)	(3)	(4)	(5)	(6)
BH11/	Rate base	\$ 4,935,974	\$ 5,337,313	BL/	\$ 5,136,643	
BI/	Exhibit DSW-1, Schedule 1, footnote Y, column 2.					
BJ/	Sum of line BH1 through line BH4.					
BK/	Sum of line BH6 through line BH9.					
BL/	Line BH5 minus line BH10.					
	Description					Amount
BM1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February					\$ - K/
BM2/	Increase revenue for accrual of over-earnings for current case					363,622 ↓
BM3/	Total adjustments					\$ 363,622 BN/
BN/	Sum of line BM1 through line BM2.					
BO/	Description					Amount
BO1/	Total expenses disallowed by Consumer Advocate.					\$ 141,349 E/
BP/	Description	Amount				
BP1/	Revenue adjustments	363,622	BM/			
BP2/	Expense adjustments	(141,349)	BO/			
BP3/	State taxable income	504,971	BQ/			
BP4/	SIT	30,298	BR/			
BP5/	Federal taxable income	474,673	BS/			
BP6/	FIT	\$ 166,135	BT/			
BQ/	Line BP1 minus line BP2.					
BR/	Line BP3 times 6 percent.					
BS/	Line BP3 minus line BP4.					
BT/	Line BP5 times 35 percent.					
BU/	Description	Amount				
BU1/	Rate base	\$ 5,136,643	BH/			
BU2/	Weighted debt cost	0.0303	E/			
BU3/	Regulatory interest expense	155,640	BV/			
BU4/	Book interest expense	13,247	K/			
BU5/	Additional interest expense	142,393	BW/			
BU6/	Decrease in FIT	49,838	BX/			
BU7/	Increase in NOI	\$ 49,838	BY/			
BV/	Line BU1 times line BU2.					
BW/	Line BU4 minus line BU3.					
BX/	Line BU5 times 35 percent.					
BY/	From line BU6.					

West Tennessee Telephone Company
Analysis of Projection
Six Months Ended June 30,

	(1)	(2)	(3)	(4)	(5)	(6)
				2001		
Line No.	Description	CA Annual E/	TEC Actual	Adjustments	TEC Adjusted AR/	TEC Adjusted Greater Than CA AS/
1	Revenues	\$ 3,597,539	\$ 1,682,851 F/	\$ 224,562 AD/	\$ 1,907,413	\$ (1,690,126)
2	Expenses	2,395,848	1,418,906	(73,580) AF/	1,345,326	(1,050,522)
3	State income tax (SIT)	61,610	19,490	17,889 AH/	37,379	(24,231)
4	Federal income tax (FIT)	337,828	94,156	98,089	192,245	(145,583)
5	Total expense	A/ 2,795,286	1,532,552	42,397	1,574,949	(1,220,337)
6	Net operating income (NOI)	B/ 802,253	150,299	182,165	332,464	(469,789)
7	Interest on customer deposits	(290)	(291) G/	-	(291)	(1)
8	Inside wiring (NOI)	7,782	2,720 I/	-	2,720	(5,062)
9	Interest synchronization	-	-	60,366 AM/	60,366	60,366
10	Interstate B&C net income	1,481	8,511 O/	-	8,511	7,030
11	Adjusted NOI	C/ \$ 811,226	\$ 161,239	\$ 242,531	\$ 403,770	\$ (407,456)
12	Rate base	\$ 5,781,412	\$ 5,701,036 W/	\$ -	\$ 5,701,036	\$ (80,376)
13	Rate of return	D/ 14.03%	2.83%		7.08%	

- A/ Sum of line 2 through line 4.
B/ Line 1 minus line 5.
C/ Sum of line 6 through line 10.
D/ Line 11 divided by line 12.
E/ Workpapers of Consumer Advocate.
F/ Client trial balance.
G/ \$7,450 H/ times 6 percent times 65 percent.
H/ From column 3, line W9.
I/ Description Amount
I1/ ISW revenue \$ 12,364 F/
I2/ ISW expense 7,913 |
I3/ State taxable income 4,451 J/
I4/ SIT 267 K/
I5/ Federal taxable income 4,184 L/
I6/ FIT 1,464 M/
I7/ NOI \$ 2,720 N/
J/ Line I1 minus line I2.
K/ Line I3 times 6 percent.
L/ Line I3 minus line I4.
M/ Line I5 times 35 percent.
N/ Line I5 minus line I6.

	Description	Combined F/	Allocation Factor P/	Interstate
O1/	Interstate B&C revenue	\$ 380,640	8.5175%	\$ 27,287 F/
O2/	Customer service expense	65,575	2.8192%	32,421 Q/
O3/	Executive and planning	191,086	3.6353%	1,849
O4/	Account and finance expense			6,947
O5/	State taxable income			(13,929) R/
O6/	SIT			(836) S/
O7/	Federal taxable income			(13,093) T/
O8/	FIT			(4,583) U/
O9/	NOI			\$ (8,511) V/
P/	Provided by company.			
Q/	Column 2 times column 3.			
R/	Line O1 minus sum of line O2 through line O4.			
S/	Line O5 times 6 percent.			
T/	Line O5 minus line O6.			
U/	Line O7 times 35 percent.			
V/	Line O7 minus line O8.			
W/	Description	12/31/00 X/	6/30/01	Average AC/
Additions:				
W1/	Plant in service	\$ 9,526,413	\$ 9,715,482 F/	\$ 9,620,948
W2/	Plant under construction	425,060	871,592	648,326
W3/	Materials and supplies	39,630	452,624	246,127

West Tennessee Telephone Company
Analysis of Projection
Six Months Ended June 30,

	(1)	(2)	(3)	(4)	(5)	(6)
W4/ Working capital		172,214	93,200 Y/	132,707		
W5/ Total additions		10,163,317	11,132,898 Z/	10,648,107		
Deductions:						
W6/ Accumulated depreciation		3,836,616	4,035,864 F/	3,936,240		
W7/ Accumulated deferred income taxes		978,593	1,021,255 I	999,924		
W8/ Unamortized investment credit		3,795	3,120 I	3,458		
W9/ Customer deposits		7,000	7,900 I	7,450		
W10/ Total deductions		4,826,004	5,068,139 AA/	4,947,072		
W11/ Rate base		\$ 5,337,313	\$ 6,064,759 AB/	\$ 5,701,036		

X/ Exhibit DSW-1, Schedule 9, pages 3 and 4 of 4, footnote BH, column 3.

Y/ Operating expenses less depreciation and taxes divided by 12.

Z/ Sum of line W1 through line W4.

AA/ Sum of line W6 through line W9.

AB/ Line W5 minus line W10.

AC/ Average of column 2 and column 3.

	Description	Amount
AD1/	Increase revenue to adjust for prior TRA order relating to deferred revenue booked during January and February	\$ -
AD2/	Increase revenue for accrual of over-earnings for current case	224,562 P/
AD3/	Total adjustments	\$ 224,562 AE/
AE/	Sum of line AD1 through line AD2.	

	Description	Amount
AF1/	Total expenses disallowed by Consumer Advocate.	\$ 73,580 AG/
AG/	Workpapers of Consumer Advocate divided by 2.	

	Description	Amount
AH1/	Revenue adjustments	224,562 AD/
AH2/	Expense adjustments	(73,580) AF/
AH3/	State taxable income	298,142 AI/
AH4/	SIT	17,889 AJ/
AH5/	Federal taxable income	280,253 AK/
AH6/	FIT	\$ 98,089 AL/

AI/ Line AH1 minus line AH2.

AJ/ Line AH3 times 6 percent.

AK/ Line AH3 minus line AH4.

AL/ Line AH5 times 35 percent.

	Description	Amount
AM1/	Rate base	\$ 5,701,036 Y/
AM2/	Weighted debt cost	0.0303 E/
AM3/	Regulatory interest expense	172,741 AN/
AM4/	Book interest expense	267 K/
AM5/	Additional interest expense	172,474 AO/
AM6/	Decrease in FIT	60,366 AP/
AM7/	Increase in NOI	\$ 60,366 AQ/

AN/ Line AM1 times line AM2.

AO/ Line AM4 minus line AM3.

AP/ Line AM5 times 35 percent.

AQ/ From line AM6.

AR/ Column 3 plus column 4.

AS/ Column 5 minus column 2.

Tennessee Operating Companies
Proposed Revenue Adjustments

	(1)	(2)	(3)	(4)	(5)
Line No.	Description	Crockett Telephone Company	Peoples Telephone Company	West Tennessee Telephone Company	Total
	Proposed Adjustments - First Twelve Months				
1	Increase in depreciation expense A/	\$ 230,129	\$ 367,474	\$ 586,724	\$ 1,184,327
2	Waive non-recurring charges	58,882	46,588	62,950	168,420
3	Dialing parity impact B/	123,488	299,262	223,509	646,259
4	Eliminate intracompany toll; Access	-	1,190	20,335	21,525
5	Increase Contiguous County Plan to 180 minutes @ 50 percent discount during forecast period	50,569	55,440	35,260	141,269
6	Credit for business access lines (\$5.00 per line)	60,814	59,120	55,354	175,288
7	Credit for residence access lines (\$4.75 per line)	212,552	239,144	236,878	688,574
8	Total for first twelve months	<u>\$ 736,434</u>	<u>\$ 1,068,218</u>	<u>\$ 1,221,010</u>	<u>\$ 3,025,662</u>
	Proposed Adjustments - Second Twelve Months				
9	Increase in depreciation expense C/	\$ 289,153	\$ 375,385	\$ 618,243	\$ 1,282,781
10	Waive non-recurring charges	61,886	51,628	65,846	179,360
11	Dialing parity impact B/	123,488	299,262	223,509	646,259
12	Eliminate intracompany toll; Access	-	1,190	20,335	21,525
13	Increase Contiguous County Plan to 180 minutes @ 50 percent discount during forecast period	50,569	55,440	35,260	141,269
14	Credit for business access lines (\$5.00 per line)	61,105	62,635	57,789	181,529
15	Credit for residence access lines (\$4.75 per line)	213,568	253,364	247,295	714,227
16	Total for second twelve months	<u>\$ 799,769</u>	<u>\$ 1,098,904</u>	<u>\$ 1,268,277</u>	<u>\$ 3,166,950</u>
17	Total proposed adjustments	<u>\$ 1,536,203</u>	<u>\$ 2,167,122</u>	<u>\$ 2,489,287</u>	<u>\$ 6,192,612</u> D/

Source: Exhibit A to Joint Petition.

A/ Includes the year 2000 increase in depreciation expense plus one-half of the year 1999 depreciation expense.

B/ The impact of dialing parity for the years 2000 and 2001 is already being realized.

C/ Includes the year 2001 increase in depreciation expense plus one-half of the year 1999 depreciation expense.

D/ Difference of \$161,569 which represents the 1999 dialing parity impact that was implemented on September 22, 1999, and is being realized.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Direct Testimony of Dwight S. Work has been served upon the following, via the method(s) indicated, on this the 7th day of September, 2001:

<input type="checkbox"/> Hand	James P. Lamoureux, Esq.
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